

Message Text

LIMITED OFFICIAL USE

PAGE 01 HAMBUR 00196 041202Z

41

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 DODE-00 PA-01

USIA-06 PRS-01 /063 W

----- 018845

R 040830Z FEB 75

FM AMCONSUL HAMBURG

TO SECSTATE WASHDC 3297

INFO AMEMBASSY BONN

USMISSION USBERLIN

AMCONSUL BREMEN

AMCONSUL DUESSELDORF

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL STUTTGART

LIMITED OFFICIAL USE HAMBURG 0196

E.O. 11652: N/A

TAGS: EINV, BGEN, GW

SUBJECT: REYNOLDS HAMBURG GMBH TO BE SOLD

REFERENCE: HAMBURG 1324, HAMBURG 1139, HAMBURG 1110

BEGIN UNCLASSIFIED

1. SUMMARY. REYNOLDS ALUMINUM, IN THE FACE OF LEGAL PROBLEMS AND FALLING DEMAND, HAS DECIDED TO SELL ITS ALUMINUM PRODUCING FACILITIES IN HAMBURG. END SUMMARY.

2. REYNOLDS INTERNATIONAL, INC., HAS INFORMED THE HAMBURG GOVERNMENT THAT IT INTENDS TO SELL ITS 90 PERCENT SHARE OF REYNOLDS HAMBURG GMBH. THE REMAINING 10 PERCENT OF THE CAPITAL STOCK IS HELD BY THE HAMBURG GOVERNMENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 HAMBUR 00196 041202Z

3. ACCORDING TO THE NEWSPAPER "DIE WELT", CHANGES

IN THE WORLD ALUMINUM MARKET ARE BEHIND THIS DECISION. THE PAPER REPORTS THAT REYNOLDS INTERNATIONAL WILL CUT BACK ALUMINUM PRODUCTION WORLDWIDE AND THAT SOME REYNOLDS PLANTS IN THE U.S. HAVE ALREADY REDUCED PRODUCTION DUE TO A FALL IN DEMAND FOR ALUMINUM.

4. NEWSPAPER REPORTS MINIMIZE THE EFFECT OF LEGAL DIFFICULTIES EXPERIENCED BY REYNOLDS IN HAMBURG IN CONNECTION WITH ENVIRONMENTAL PROTECTION REGULATIONS (SEE REFTELS) ON THIS DECISION. THEY DO NOTE THAT REYNOLDS LOST DM 34 MILLION LAST YEAR, LARGELY BECAUSE THE COURTS HAVE REFUSED TO ALLOW REYNOLDS TO OPERATE AT OVER 2/3 CAPACITY.

5. REYNOLDS PROVIDES 1200 JOBS TO THE HAMBURG ECONOMY AND HAMBURG AUTHORITIES HOPE TO BRING THE PLANT UNDER GERMAN MANAGEMENT, RATHER THAN PERMITTING ANOTHER FOREIGN GROUP TO TAKE OVER THE BUSINESS. THE LOGICAL BUYER WOULD BE THE FEDERAL GOVERNMENT-OWNED "VEREINIGTE ALUMINIUMWERKE" (VAW). HOWEVER, VAW REPORTEDLY HAS OBSERVED THAT GERMAN ALUMINUM PRODUCERS ARE SMALL BY INTERNATIONAL STANDARDS AND WOULD HAVE TO THINK TWICE ABOUT BUYING, IF A GIANT LIKE REYNOLDS FINDS THE HAMBURG PLANT NO LONGER ATTRACTIVE. VAW ALSO WOULD FACE DIFFICULTIES WITH THE GERMAN CARTEL OFFICE, WHICH RECENTLY VETOED A PROPOSED COOPERATION AGREEMENT BETWEEN KAISER ALUMINUM AND VAW ON THE GROUNDS THAT THIS WOULD CREATE A MONOPOLY. THE NEWSPAPER "HAMBURGER ABENDBLATT" SAYS THERE IS UNCONFIRMED SPECULATION THAT THE ALCAN GROUP OF MONTREAL MAY BE INTERESTED IN PURCHASING THE REYNOLDS FACILITY. END UNCLASSIFIED

6. BEGIN LIMITED OFFICIAL USE THE HEAD OF REYNOLDS' OPERATIONS IN HAMBURG, MR. DIETRICH E. REIMANN, CONFIRMED TO CONSULATE OFFICER THE GENERAL ACCURACY OF REPORTS CONCERNING REYNOLDS INTENTION TO SELL. HOWEVER, HE INDICATED THREE FACTORS WERE BEHIND THE DECISION: (A) THE WORLD MARKET SITUATION; (B) THE CHANGE IN THE DOLLAR/ DEUTSCHE MARK EXCHANGE RATE; AND(C) REYNOLDS' LEGAL PROBLEMS IN HAMBURG. REIMANN SAID ALL THREE FACTORS WERE IMPORTANT, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 HAMBUR 00196 041202Z

BUT HE MADE IT CLEAR THAT, AT LEAST IN HIS MIND, THE LAST REASON WAS THE MOST IMPORTANT. AS LONG AS THE FACTORY CANNOT OPERATE AT FULL CAPACITY IT WILL BE A MONEY LOSER AND THESE LEGAL CLOUDS COULD LAST FOR SEVERAL YEARS; SINCE REYNOLDS INTERNATIONAL WAS LOOKING FOR PLACES TO CUT BACK, THIS MADE HAMBURG A LOGICAL PLACE TO START.

7. REIMANN SAID THAT REYNOLDS WILL TRY TO KEEP THE

HAMBURG FACILITY RUNNING WHILE NEGOTIATIONS TO SELL ARE CONDUCTED, BUT THE PARENT FIRM WILL PUT NO MORE MONEY INTO IT. APPARENTLY THE LOCAL BANKS HAVE REFUSED TO GIVE REYNOLDS MORE CREDIT, SO NEW SOURCES FOR CREDIT OR CASH MUST BE FOUND OR REYNOLDS WILL BE CLOSING ITS DOORS SOON. HE FEELS ADEQUATE OPERATING CAPITAL WILL

NOT BE A PROBLEM ONCE A PURCHASER CAN BE FOUND. REIMANN CLEARLY EXPECTS VAW TO BUY, NEWSPAPER REPORTS TO THE CONTRARY NOTWITHSTANDING.

8. COMMENT: WE ARE NOT AS OPTIMISTIC AS REIMANN THAT REYNOLDS WILL FIND A BUYER QUICKLY. WE SUSPECT VAW WILL HAVE SOME HARD NEGOTIATING WITH THE CARTEL AUTHORITIES AND MIGHT NEED HIGH-LEVEL FEDERAL INTERVENTION TO OBTAIN PERMISSION TO BUY. AT THE SAME TIME, ANY PURCHASER WOULD BE BUYING REYNOLDS' LEGAL PROBLEMS AND PRODUCTION LIMITS. THESE GUARANTEE UNPROFITABLE OPERATIONS FOR AN INDETERMINANT PERIOD AND OFFER THE REAL POSSIBILITY THAT A COURT MAY ONE DAY ORDER THE SMELTERING OPERATION CLOSED COMPLETELY. ON THE OTHER HAND THE HAMBURG GOVERNMENT, WITH ITS 10 PERCENT OWNERSHIP AND ITS GENEROUS BUT STILL UNDISCLOSED GUARANTEES TO REYNOLDS, WILL CERTAINLY DO EVERYTHING IT CAN TO KEEP THE PLANT RUNNING AND TO ASSURE A SMOOTH TRANSITION TO NEW OWNERSHIP. BROGAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENTS, INDUSTRIAL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975HAMBUR00196
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750040-0527
From: HAMBURG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750275/aaaacpkr.tel
Line Count: 140
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 HAMBURG 1324, 75 HAMBURG 1139, 75 HAMBURG 1110
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2003 by BoyleJA>; APPROVED <07 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REYNOLDS HAMBURG GMBH TO BE SOLD
TAGS: EINV, BGEN, GE, REYNOLDS ALUMINUM COMPANY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006